

Commonwealth of Massachusetts  
Department of Telecommunications and Energy  
Fitchburg Gas and Electric Light Company  
Docket No. D.T.E. 02-24/25  
Record Request Response

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**Record Request No.: DTE-RR-28**

Please describe the costs incurred by Fitchburg through the energy services group in these three service categories: solicitation (if zero so state); the load reporting to the ISO; and billing from the standard-offer supplier. For each one of those services, break the costs down into direct and allocated costs; and for each cost, state whether the cost would change if your standard-offer customers became competitive-supply customers.

**Response:**

Attachment DTE-RR-28, Pages 1 through 8 provides the services provided, Unitil Service Corp. ("USC") labor and overhead costs, and other related direct charges from third parties for Standard Offer Service for the energy service, accounting, finance and regulatory groups. FG&E has identified and included additional Standard Offer Service costs associated with the Communication Department. Page 1 summarizes the costs incurred by these groups. Pages 2 through 8 provide individual workpapers for each group showing development of the costs summarized on Page 1.

Note that the costs provided are not actual test year costs but rather are estimated annual costs based on a review by each USC department of time spent on activities related to Standard Offer Service. Estimates are provided based on the current framework for Standard Offer Service and level of Standard Offer Service activity.

The table on Page 1 also indicates for each activity performed whether like services are provided for competitive supply customers. If yes, then FG&E would continue to incur these costs if the standard offer service customers became competitive supply customers. When the answer is no, third party costs would not be incurred if the Standard Offer Service customers became competitive supply customers. These costs are considered variable. Although the activities specific to the support of Standard Offer Service would no longer be performed if Standard Offer Service were eliminated, the labor and overhead costs of the individuals performing these tasks would not necessarily be eliminated or avoided as these tasks represent only a small portion of their overall workload.

**Person Responsible:** Mark H. Collin

**Fitchburg Gas and Electric Light Company  
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Attachment DTE-RR-28 (Electric)

**Summary of Costs in Support of Standard Offer Service**

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<b>Activity</b>	<b>USC Labor &amp; Overhead</b>	<b>Other related Direct Charges</b>	<b>Total Annual Cost</b>	<b>Like Services Provided for Competitive Supply Customers?</b>
<b><u>Energy Services</u></b>				
Solicitation	\$0	\$0	\$0	No
Load Reporting	\$4,904	\$24,900	\$29,804	Yes
Billing & Operations	<u>\$7,972</u>	<u>\$0</u>	<u>\$7,972</u>	No
Total	\$12,877	\$24,900	\$37,777	
<b><u>Finance Department</u></b>				
Treasury Operations	<u>\$842</u>	<u>\$120</u>	<u>\$962</u>	No
Total	\$842	\$120	\$962	
<b><u>Customer Service Department</u></b>				
Customer Service Staff Costs	\$60,625	\$0	\$60,625	Yes
Remittance Processing Staff	\$1,753	\$0	\$1,753	Yes
Customer Billing Staff	<u>\$34,246</u>	<u>\$0</u>	<u>\$34,246</u>	Yes
Total	\$96,624	\$0	\$96,624	
<b><u>Accounting Department</u></b>				
General Accounting Activities	\$1,757	\$407	\$2,164	(1)
Accounts Receivable Activities	\$251	\$0	\$251	(1)
Accounts Payable Activities	<u>\$100</u>	<u>\$0</u>	<u>\$100</u>	(1)
Total	\$2,108	\$407	\$2,515	
<b><u>Regulatory Department</u></b>				
Regulatory Filings and Support	\$2,778	\$7,000	\$9,778	No
Generic Proceedings	<u>\$7,479</u>	<u>\$18,000</u>	<u>\$25,479</u>	No
Total	\$10,256	\$25,000	\$35,256	
<b><u>Communications Department</u></b>				
Printing	<u>\$487</u>	<u>\$0</u>	<u>\$487</u>	No
	\$487	\$0	\$487	
 Total (All Departments)	 \$123,195	 \$50,427	 \$173,622	

(1) For most Accounts Receivable activities, like services will not be provided for competitive suppliers.  
For certain other tasks, this will depend on the agreement between FG&E Electric Division and the supplier.

	<b><u>Solicitation</u></b>			Notes:
1	Per on the record discussions, (assumes no additional solicitations) this would be zero	\$	-	
2				
3	<b><u>Load Reporting</u></b>			
4				
5	Average Cost of Labor per Hour	\$	19.99	1
6	Estimated Annual Hours to Accomplish Task		141 Hrs.	
7	Cost of Labor	\$	2,819	
8	Labor-Related Overheads (74%)	\$	2,086	2
9	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>4,904</b>	3
10	<b>Other Related Direct Charges (Logica)</b>	<b>\$</b>	<b>24,900</b>	4
11	<b>Total Annual Cost</b>	<b>\$</b>	<b>29,804</b>	
12				
13	<b><u>Billing</u></b>			
14				
15	Average Cost of Labor per Hour	\$	29.56	1
16	Estimated Annual Hours to Accomplish Task		155 Hrs.	
17	Cost of Labor	\$	4,582	
18	Labor-Related Overheads (74%)	\$	3,391	2
19	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>7,972</b>	
20	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>-</b>	
21	<b>Total Annual Cost</b>	<b>\$</b>	<b>7,972</b>	
22				
23	<b>Total Annual Energy Services Department Cost</b>	<b>\$</b>	<b>37,777</b>	

- 1) Hourly wages for positions effective 2002
- 2) Based on Unitil Service Corp overhead rate of 74%
- 3) Allocated 1/3 each to Default Service, Standard Offer Service and Competitive Supplier representing need to report to ISO for underlying loads. Work level will not vary much except to set up a new supplier.
- 4) Logica costs allocated based on meters. Logica provides load estimation service.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Standard Offer Service Costs - Finance Department**

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Attachment DTE-RR-28 (Electric)  
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**Treasury Operations**

Notes:

1	Average Cost of Labor per Hour	\$	26.89		1
2	Estimated Annual Hours to Accomplish Task		18	Hrs.	
3	Cost of Labor	\$	484		
4	Labor-Related Overheads (74%)	\$	358		2
5	<b>Total Labor and Overhead Cost</b>	<b>\$</b>	<b>842</b>		
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>120</b>		
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>962</b>		

1) Hourly wages for positions effective 2002

2) Based on Unitil Service Corp overhead rate of 74%

**General Notes:**

Treasury Operations for the Finance Department represents labor and overhead for the preparation and execution of wire transfer payments of the Constellation bill and the external fees associated with the wire transfer transaction.

**Fitchburg Gas & Electric Light Company**  
**Estimate of Annual Standard Offer Service Costs - Customer Services Department**

Notes:

<b><u>Customer Service</u></b>			
1	Average Cost of Labor per Hour	\$ 16.84	1
2	Estimated Annual Hours to Accomplish Task	2,069 Hrs.	
3	Cost of Labor	\$ 34,842	
4	Labor-Related Overheads (74%)	\$ 25,783	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$ 60,625</b>	
6	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
7	<b>Total Annual Cost</b>	<b>\$ 60,625</b>	
8			
9	<b><u>Customer Remittance Processing</u></b>		
10	Average Cost of Labor per Hour	\$ 15.50	1
11	Estimated Annual Hours to Accomplish Task	65 Hrs.	
12	Cost of Labor	\$ 1,008	
13	Labor-Related Overheads (74%)	\$ 746	2
14	<b>Total Labor and Overhead Cost</b>	<b>\$ 1,753</b>	
15	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
16	<b>Total Annual Cost</b>	<b>\$ 1,753</b>	
17			
18	<b><u>Customer Billing</u></b>		
19	Average Cost of Labor per Hour	\$ 17.86	1
20	Estimated Annual Hours to Accomplish Task	1,102 Hrs.	
21	Cost of Labor	\$ 19,682	
22	Labor-Related Overheads (74%)	\$ 14,564	2
23	<b>Total Labor and Overhead Cost</b>	<b>\$ 34,246</b>	
24	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
25	<b>Total Annual Cost</b>	<b>\$ 34,246</b>	
26			
27			
28	<b>Total Customer Service Costs</b>	<b>\$ 96,624</b>	

- 1) Hourly wages for positions effective 2002
- 2) Based on Unifil Service Corp overhead rate of 74%

**General Notes:**

Customer Service responsibilities include: plan, direct and coordinate the activities of the Customer Service area to ensure that prompt, courteous, accurate and professional services are provided to all customers of our client companies. This function is also responsible for ensuring that high standards in the management of accounts receivables are achieved in the Credit and Collections area of the Company.

Assumed 15% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

Customer Remittance Processing responsibilities include: ensure that customer bill payments for all services are processed and posted accurately and timely to the customer's account in the customer information system. This function is also responsible for printing and preparing the customer bills for mail processing.

Assumed 5% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

Customer Billing responsibilities include: ensure that customer billing information for customers is processed accurately and timely. This function also ensures accurate and timely bill processing by utilizing computer programs that define normal historic customer usage and actual meter readings.

Assumed 30% of total electric hours are related to generation, then allocated 12.5% default service, 85% standard offer service and 2.5% competitive supply.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Standard Offer Service Costs - Accounting Department**

1	<b><u>General Accounting Activities</u></b>		Notes:
2			
3	<u>Key Revenue Amounts to Default Model</u>		
4	Average Cost of Labor per Hour	\$ 24.04	1
5	Estimated Annual Hours Required to Accomplish Task	12 Hrs.	
6	Cost of Labor	\$ 288	
7	Labor-Related Overheads (74%)	\$ 213	2
8	Total Cost	\$ 502	
9			
10	<u>Run FRX reports to verify revenue and expenses</u>		
11	Average Cost of Labor per Hour	\$ 24.04	1
12	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
13	Cost of Labor	\$ 72	
14	Labor-Related Overheads (74%)	\$ 53	2
15	Total Cost	\$ 125	
16			
17	<u>Key Expense amounts to Default Model</u>		
18	Average Cost of Labor per Hour	\$ 24.04	1
19	Estimated Annual Hours Required to Accomplish Task	6 Hrs.	
20	Cost of Labor	\$ 144	
21	Labor-Related Overheads (74%)	\$ 107	2
22	Total Cost	\$ 251	
23			
24	<u>Calculate over/under collection on model</u>		
25	Average Cost of Labor per Hour	\$ 24.04	1
26	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
27	Cost of Labor	\$ 72	
28	Labor-Related Overheads (74%)	\$ 53	2
29	Total Cost	\$ 125	
30			
31	<u>Calculate interest on over/under collection</u>		
32	Average Cost of Labor per Hour	\$ 24.04	1
33	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
34	Cost of Labor	\$ 72	
35	Labor-Related Overheads (74%)	\$ 53	2
36	Total Cost	\$ 125	
37			
38	<u>Send completed models to regulatory dept and discuss any issues/questions</u>		
39	Average Cost of Labor per Hour	\$ 24.04	1
40	Estimated Annual Hours Required to Accomplish Task	6 Hrs.	
41	Cost of Labor	\$ 144	
42	Labor-Related Overheads (74%)	\$ 107	2
43	Total Cost	\$ 251	
44			
45	<u>Check if interest rate has changed</u>		
46	Average Cost of Labor per Hour	\$ 24.04	1
47	Estimated Annual Hours Required to Accomplish Task	2 Hrs.	
48	Cost of Labor	\$ 48	
49	Labor-Related Overheads (74%)	\$ 36	2
50	Total Cost	\$ 84	
51			

52	<u>Create files for new year</u>		Notes:
53	Average Cost of Labor per Hour	\$ 24.04	1
54	Estimated Annual Hours Required to Accomplish Task	2 Hrs.	
55	Cost of Labor	\$ 48	
56	Labor-Related Overheads (74%)	\$ 36	2
57	Total Cost	\$ 84	
58			
59	<u>Update FRX reports as needed</u>		
60	Average Cost of Labor per Hour	\$ 24.04	1
61	Estimated Annual Hours Required to Accomplish Task	2 Hrs.	
62	Cost of Labor	\$ 48	
63	Labor-Related Overheads (74%)	\$ 36	2
64	Total Cost	\$ 84	
65			
66	<u>Budget preparation</u>		
67	Average Cost of Labor per Hour	\$ 24.04	1
68	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
69	Cost of Labor	\$ 72	
70	Labor-Related Overheads (74%)	\$ 53	2
71	Total Cost	\$ 125	
72			
73			
74	Total Labor and Overhead Cost	\$ 1,757	
75	Other Related Direct Charges	\$ 407	3
76	Total Annual General Accounting Cost	\$ 2,164	
77			
78	<u>Accounts Receivable Activities</u>		
79			
80	<u>Post Revenue to General Ledger.</u>		
81	Average Cost of Labor per Hour	\$ 24.04	1
82	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
83	Cost of Labor	\$ 72	
84	Labor-Related Overheads (74%)	\$ 53	2
85	Total Cost	\$ 125	
86			
87	<u>Verify Revenue to HTE system</u>		
88	Average Cost of Labor per Hour	\$ 24.04	1
89	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
90	Cost of Labor	\$ 72	
91	Labor-Related Overheads (74%)	\$ 53	2
92	Total Cost	\$ 125	
93			
94			
95	Total Labor and Overhead Cost	\$ 251	
96	Other Related Direct Charges	\$ -	
97	Total Annual Accounts Receivable Cost	\$ 251	
98			
99	<u>Accounts Payable Activities</u>		
100			
101	<u>Pay power vendor(s)</u>		
102	Average Cost of Labor per Hour	\$ 19.23	1
103	Estimated Annual Hours Required to Accomplish Task	3 Hrs.	
104	Cost of Labor	\$ 58	
105	Labor-Related Overheads (74%)	\$ 43	2
106	Total Cost	\$ 100	
107			
108	Total Labor and Overhead Cost	\$ 100	
109	Other Related Direct Charges	\$ -	
110	Total Annual Accounts Payable Cost	\$ 100	
111			
112	Total Annual Accounting Department Cost	\$ 2,515	

1) Hourly wages for positions effective 2002

2) Based on Unitil Service Corp overhead rate of 74%

3) Accounting Department "Other Related Direct Charges" represent services provided by external auditors, based on 2% of \$61K/yr total audit cost allocated equally between Transition, Standard Offer Service and Default Service.

**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Standard Offer Service Costs Regulatory Services Department**

Notes:

<b><u>Regulatory Filings and Support</u></b>				
1	Average Cost of Labor per Hour	\$	30.70	1
2	Estimated annual hours		52 Hrs.	
3	Annual Labor Costs	\$	1,596	
4	Labor-Related Overheads (74%)	\$	1,181	2
5	<b>Total Regulatory Services Labor and OH</b>	<b>\$</b>	<b>2,778</b>	
6	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>7,000</b>	3
7	<b>Total Annual Cost</b>	<b>\$</b>	<b>9,778</b>	
8				
9				
10	<b><u>Generic Proceedings</u></b>			
11	Average Cost of Labor per Hour	\$	30.70	1
12	Estimated annual hours		140 Hrs.	
13	Annual Labor Costs for Regulatory Service Staff	\$	4,298	
14	Labor-Related Overheads (74%)	\$	3,181	2
15	<b>Total Regulatory Services Labor and OH</b>	<b>\$</b>	<b>7,479</b>	
16	<b>Other Related Direct Charges</b>	<b>\$</b>	<b>18,000</b>	3
17	<b>Total</b>	<b>\$</b>	<b>25,479</b>	
18				
19				
20	<b>Total Annual Costs</b>	<b>\$</b>	<b>35,256</b>	

- 1) Average hourly wages for positions effective 2002
- 2) Based on Unitil Service Corp overhead rate of 74%
- 3) Estimated legal bills and miscellaneous costs i.e. travel, required publication of notices and transcripts for generic proceedings.

**General Notes:**

Regulatory Filings and Support pertains to preparation of rate filings, review of accounting data, tariff administration, communication of rate changes and filing support.

Generic Proceedings pertain to attending hearings and technical sessions, preparing and filing comments, review of orders, and preparing compliance filings. Costs depend on nature of proceeding, length of proceeding, complexity of issues involved and number of hearings or meetings.



**Fitchburg Gas and Electric Light Company**  
**Estimate of Annual Standard Offer Service Costs - Communication Department**

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Attachment DTE-RR-26 (Electric)  
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<u><b>Communication Operations</b></u>			Notes:
1	Average Cost of Labor per Hour	\$ 35.00	1
2	Estimated Annual Hours to Accomplish Task	8 Hrs.	
3	Cost of Labor	\$ 280	
4	Labor-Related Overheads (74%)	\$ 207	2
5	<b>Total Labor and Overhead Cost</b>	<b>\$ 487</b>	
6	<b>Other Related Direct Charges</b>	<b>\$ -</b>	
7	<b>Total Annual Cost</b>	<b>\$ 487</b>	

- 1) Hourly wages for positions effective 2002  
2) Based on Unitil Service Corp overhead rate of 74%

**General Notes:**

Communication Operations include printing Standard Offer Service brochures and updated rate summaries.